

Press Release

Bahdl Hospitality Limited

January 06, 2022



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	110.00	ACUITE BBB- Stable Assigned	
Total	110.00	-	-

Rating Rationale

Acuité has assigned the long term rating of '**ACUITE BBB-**' (read as ACUITE triple B minus) on the Rs. 110.00 Cr bank facilities of BAHDL Hospitality Limited (BHL). The outlook is '**Stable**'.

The ratings assigned to BHL takes into account the long experience of the Ambuja-Neotia group in the hospitality segment, favourable location of the proposed project and the tie-up with Indian Hotels Company Ltd (IHCL) to operate under the brand of 'Taj'. These strengths are however, partly offset by the significant project implementation risk, below average financial risk profile of the company and cyclical nature of the hotel industry.

About the Company

Incorporated in 2009, BAHDL Hospitality Limited (BHL) is a wholly owned subsidiary of Bengal Ambuja Housing Development Limited (BAHDL) which is a part of Ambuja Neotia Group and manages a 5-star deluxe hotel in Newtown, Kolkata. Initially, the hotel started operation in 2010 with 147 rooms of various categories including luxury suites and all modern amenities. Currently the hotel is closed for renovation and expected to commence operations in April 2022 under the new name of "Taj City Center New Town. BHL has entered into a hotel operating agreement with India Hotel Company Limited for the management of the luxury hotel under the brand "Taj".

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of BHL to arrive at the rating. While arriving at the rating of BHL, Acuité has taken into account a strong level of support from the Ambuja-Neotia group given that Ambuja Neotia Holdings Pvt Ltd (ANHPL) has a 50 per cent stake in BHL, indirectly.

Key Rating Drivers

Strengths

• Experienced management

The Ambuja-Neotia group has a long operational track record in the hospitality industry for around three decades. In addition to this, the promoters are highly experienced and involved in the operations of the company. Acuité believes that the long operational track record of the group and promoters' extensive understanding and expertise will support the company's growth plans going forward.

• Financial flexibility of the Ambuja-Neotia group

The Ambuja-Neotia Group has been promoted by the Neotia Family, which has been an integral part of the business community in Kolkata for nearly 125 years. The group through its

various Joint Venture Companies and Special Purpose Vehicles (SPVs) has been engaged in development of Real Estate properties, both housing and commercial complexes and in the Hospitality business. The group has executed more than 22 million square feet of development comprising of residential, commercial and hospitality projects through its various joint ventures and subsidiary companies over a period of the last 30 years and has established its brand which is widely recognized in the region. The group has also ventured into the states of Sikkim, Bihar, Punjab, Chhattisgarh and Maharashtra for undertaking various types of real estate and hospitality projects. The group has strong financial risk profile with a willingness to support their businesses, demonstrated from the continuous infusion of unsecured loans and equity funds into BHL.

Acuité believes that BHL, being a strategically important entity for the group shall continue to benefit from the financial, operational and management support from the Ambuja-Neotia Group as and when required. The parent company Ambuja Neotia Holdings Pvt Ltd (ANHPL) holds upto 50 per cent indirectly in BHL which imparts further comfort to the rating. Any changes in the ownership pattern of BHL or any event that impinges the group's overall credit profile shall remain a key rating sensitivity.

• **Locational advantage coupled with tie-up with "Taj"**

The hotel has the locational advantage, as it is located at Newtown, Kolkata near the IT-hub of the city and is surrounded by affluent residential colonies. The close proximity of airport will help in attracting a lot of business travelers. Various infrastructure facilities such as power, water, telecommunication are also easily available in the area. Further, labors both skilled and unskilled are abundantly available from surrounding areas. In addition to this, to operate the hotel the company has a 30 year arrangement with The Indian Hotels Company Limited (IHCL). The "Taj" brand of The Indian Hotels Company Limited, is the most popular domestic brand.

Weaknesses

• **Constrained financial risk profile**

The company's below average financial risk profile is marked by eroded networth due to continuous losses. The debt of Rs.123.42 Cr consists of term loan of Rs. 97.47 Cr, unsecured loan of Rs.18.75 Cr, working capital loan of Rs.5.26 Cr and current maturity of term loan of Rs.1.94 Cr as on March 31, 2021. Acuité believes that the financial risk profile of the company is expected to improve over the medium term.

• **Cyclical nature of the hotel industry**

The company is exposed to inherent cyclical nature of the hotel industry. Acuité believes the success of the company will be dependent upon its ability to excel in areas such as room rates, quality of accommodation, service level and convenience of location and also the quality and scope of other amenities, including food and beverage facilities after the completion of the project.

Rating Sensitivities

- Any deterioration of its financial risk profile and liquidity position
- Timely completion of the project within the stipulated cost

Material covenants

None

Liquidity Position: Stretched

The group has regularly infused funds into the business as and when required, thereby providing financial flexibility to the company. The net cash accruals is expected to be Rs. 11-12 Cr in FY2023-24 against yearly debt obligation of Rs. 7-9 Cr, over the medium term. The cash and bank balances of the company stood at Rs.5.71 Cr in FY2021 and are expected to increase gradually as the business commences operations in the medium term. The current ratio stood weak at 0.75 as on 31st March, 2021. Acuité believes that going forward the

liquidity position of the company will improve and hence a key monitorable over the medium term backed by the company' resumption of operations.

Outlook: Stable

Acuité believes that the outlook on BHL will remain 'Stable' over the medium term on account of the long track record of operations of the group, experienced management, and financial flexibility of the Ambuja Neotia group. The outlook may be revised to 'Positive' in case the company is able to increase its occupancy levels while maintaining a stable credit risk profile. Conversely, the outlook may be revised to 'Negative' in case there is time overrun in their ongoing renovation project or any deterioration of financial risk profile leading to pressure on liquidity.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	5.82	46.84
PAT	Rs. Cr.	(29.01)	(12.94)
PAT Margin	(%)	(498.25)	(27.62)
Total Debt/Tangible Net Worth	Times	(3.46)	(1.77)
PBDIT/Interest	Times	(0.07)	0.57

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Group And Parent Support: <https://www.acuite.in/view-rating-criteria-47.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Yes Bank Ltd	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB- Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	2.34	ACUITE BBB- Stable Assigned
Yes Bank Ltd	Not Applicable	Term Loan	21-03-2018	Not available	31-05-2033	97.66	ACUITE BBB- Stable Assigned

***The overdraft limit is fully interchangeable with Bank Guarantee**

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About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,850 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in KanjurMarg, Mumbai.

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